

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY DAMASCUS IMMEDIATE

C O N F I D E N T I A L STATE 110825

E.O. 11652: GDS

TAGS: ETRD SY

SUBJECT: VEHICLES FOR HEALTH SERVICES PROJECT

REF: (A) DAMASCUS 2297; (B) DAMASCUS 2091

1. WE ARE CONCERNED THAT RELUCTANCE (REPORTED REFTEL) TO ACCEPT AMC VEHICLES MAY BE BOYCOTT-BASED OR IF NOT SO BASED, THAT IT WOULD HAVE APPEARANCE OF EXCLUDING AMC AS SUPPLIER FOR BOYCOTT REASONS. IN SUCH A CIRCUMSTANCE, WE WISH TO MAKE EVERY EFFORT TO HAVE GOODS IN QUESTION, WHICH WERE PROCURED ROUTINELY UNDER G.S.A. COMPETITIVE PROCEDURES, ACCEPTED INTO RECIPIENT COUNTRY IN ORDER TO AVOID ANY POSSIBILITY (OR APPEARANCE) THAT AID ACTIONS ARE CIRCUMVENTING U.S. ANTI-BOYCOTT POLICY AND LAWS.

2. STATE AND AID, FOLLOWING CONSULTATION WITH EMBASSY ECONOMIC OFFICER THEROS, BELIEVE THAT EMBASSY SHOULD INFORM MINECON IMADI OF OUR INTENT TO SHIP AMC VEHICLES -- EX-CONFIDENTIAL

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PLAINING G.S.A. ROUTINE COMPETITIVE PROCUREMENT PROCEDURES WHICH HAVE AWARDED CONTRACTS TO INTERNATIONAL HARVESTOR AND AMC FOR SIX AND FOUR VEHICLES RESPECTIVELY. INTERNATIONAL HARVESTER IS AN INTERMEDIATE BOYCOTT CATEGORY OF COMPANY BEING INVESTIGATED BY THE CENTRAL BOYCOTT OFFICE. AS WE UNDERSTAND PRESENT SITUATION, NEITHER IH VEHICLES (WHICH ALREADY HAVE BEEN SHIPPED) NOR AMC VEHICLES WHICH

ARE READY FOR SHIPMENT CAN CLEAR CUSTOMS WITHOUT HIGH-LEVEL SYRIAN GOVERNMENT WAIVER. EMBASSY SHOULD NOTE THAT STEPS FOR DELIVERY OF THESE VEHICLES ARE PROCEEDING IN ROUTINE FASHION, AS CUSTOMARY FOR COMPETITIVELY PURCHASED AID-FINANCED ITEMS.

3. YOU SHOULD INFORM IMADI THAT WE ARE PROCEEDING ON ASSUMPTION THAT SHIPMENTS OF IH AND AMC VEHICLES WILL BE CLEARED FOR ENTRY WHEN THEY ARRIVE. GIVEN OUR CLOSE COOPERATION AND COMMON INTEREST IN OUR AID PROGRAM, WE BELIEVE THAT WE SHOULD ALSO POINT OUT TO HIM, HOWEVER, THAT SHOULD VEHICLES BE REJECTED, WE WOULD BE OBLIGATED TO REDUCE THE OVERALL PROGRAM BY THE AMOUNT OF THE FUNDS ALLOCATED FOR THE PROCUREMENT IN QUESTION. FULL COSTS WOULD BE CHARGED TO THE PROJECT (I.E., INVOICE VALUE OF AMC VEHICLES, PLUS STORAGE AND RELATED CHARGES, WITH TOTAL

AMOUNT NOT EXPECTED TO EXCEED PIOCVALUE OF \$32,000, WHILE COST FOR IH VEHICLES WOULD BE APPROXIMATELY \$40,500) EVEN IF VEHICLES DIVERTED TO PROGRAMS IN OTHER COUNTRIES. THIS IS BY NO MEANS INTENDED AS A WARNING, BUT AS A DESCRIPTION OF WHAT MIGHT OCCUR IN A CONTINGENCY WE NEITHER DESIRE OR ANTICIPATE.

4. AT TECHNICAL LEVEL, WE TOO ARE LOOKING AT INTEGRITY OF CURRENT PROJECT DESIGN SHOULD TRANSPORTATION PLANNED
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FOR PROJECT BE REDUCED. WE WOULD APPRECIATE KNOWING THE RESULTS OF YOUR REVIEW (PARA 1, REF A) WHEN COMPLETED. IN CASE, AS RESULT OF USAID/AID/W REVIEW, IT IS CONCLUDED THAT VEHICLE REQUIREMENT REMAINS UNCHANGED, THEN SARG, WHILE PAYING FOR THE UNACCEPTED VEHICLES OUT OF PROJECT FUNDS, WOULD ALSO HAVE TO AGREE TO PROVIDE SUITABLE VEHICLES FROM OWN RESOURCES TO MAKE UP SHORTFALL. A TECHNICAL FINDING THAT THE FOUR ADDITIONAL VEHICLES ARE IN FACT NO LONGER REQUIRED WOULD STILL NOT REMOVE THE APPEARANCE UNDER THE CIRCUMSTANCES THAT CANCELLATION WAS BOYCOTT BASED. OUR CONCERN ABOUT POSSIBLE SYRIAN BOYCOTT MOTIVATION WOULD STILL REQUIRE CHARGING TO SYRIAN PROGRAM THE FULL COSTS TO PROJECT. (SARG COULD, OF COURSE, PROPOSE DIVERSION OF VEHICLE USE TO OTHER SUITABLE DEVELOPMENT PROJECTS IF THEY PROVE REDUNDANT IN HEALTH SERVICES PROJECT).

5. WE WISH TO HAVE EMBASSY RAISE THIS MATTER IN WAY MOST LIKELY TO AVOID A CONFRONTATION WITH THE SYRIAN GOVERNMENT. WHILE WE FEEL OBLIGED TO PROCEED WITH SHIPMENT OF THE REMAINING FOUR VEHICLES (AND SEEK SYRIAN ACCEPTANCE OF BOTH IH AND AMC VEHICLES ALREADY PROCURED) WE WISH TO HAVE A READING FROM EMBASSY BASED ON DISCUSSION WITH IMADI.

HANDLING OF CURRENT SHIPMENTS COULD HAVE IMPLICATIONS FOR

FUTURE AID-FINANCED TRANSACTIONS OF SUBSTANTIALLY GREATER
MAGNITUDE (E.G., PROCUREMENT OF GARBAGE TRUCKS). ALSO,
THOUGH WE WOULD NOT WANT POSSIBILITY RAISED IN ANY CONTEXT
WHICH SUGGESTS THREAT BY U.S. THAT SYRIAN REFUSAL OF THESE
TEN VEHICLES COULD CAUSE TERMINATION OR CUTBACK IN OVERALL
U.S. AID TO SYRIA, EMBASSY SHOULD BE AWARE OF POSSIBILITY
THAT BOYCOTT ISSUE CAN PROVIDE OPPONENTS OF THE SYRIAN
AID PROGRAM WITH FURTHER AMMUNITION. PLEASE ADVISE SOONEST.
CHRISTOPHER

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